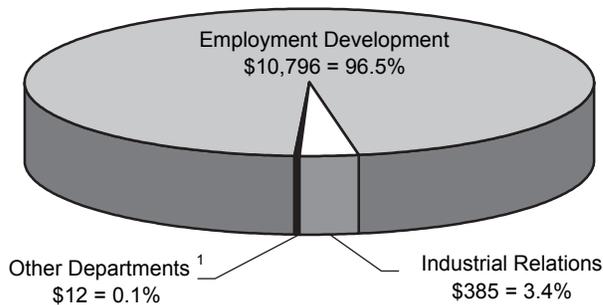


LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency (LWDA) supports and protects California workers and employers. The LWDA is primarily responsible for three activities: labor law enforcement, workforce development, and benefit payment and adjudication. The primary objective of the LWDA is to serve workers and employers by coordinating its many services and programs in a manner that is efficient, effective, and relevant to current and future economic conditions. Funding for the programs will be \$11.2 billion, a decrease of \$310.7 million from the revised 2006-07 Budget. See Figure LWD-01 below.

Figure LWD-01
Labor and Workforce Development Agency 2007-08 Expenditures
 (Dollars in Millions)



¹ Other Departments include: Secretary for Labor and Workforce Development (\$2.2), California Workforce Investment Board (\$4.5), and Agricultural Labor Relations Board (\$5.1).

MAJOR ACCOMPLISHMENTS IN 2006-07

The following proposal was implemented in 2006-07 and is continued in 2007-08:

- Employment Training Panel-The 2006-07 Budget includes \$17.9 million (Employment Training Fund) for the Employment Training Panel to augment its employment training contract program. The Employment Training Panel supports the California economy by ensuring that employers, primarily small businesses, have the trained workers they need to compete in the global economy while providing workers with reasonable wages and secure employment. The Panel prioritizes special economic development initiatives to retain and create high-skilled, high-paying jobs throughout the state.

PROPOSED LABOR AND WORKFORCE DEVELOPMENT AGENCY SPENDING FOR 2007-08

Change Table LWD-01 illustrates the major changes proposed within LWDA.

Major workload adjustments required by law for 2007-08 include the following:

- Automated Collection Enhancement System-The Governor's Budget includes \$2.8 million (\$2.5 million General Fund) for the Employment Development Department's (EDD) Automated Collection Enhancement System (ACES), which will improve the EDD's ability to track, collect, and audit the payment of specified employer payroll taxes, including the personal income tax withholding.
- Electronic Adjudication Management System-The Governor's Budget provides \$19.1 million (Workers' Compensation Administration Revolving Fund), which includes a reappropriation of \$6.7 million from 2006-07, to support the revised project costs for the new paperless case management and automated calendaring system for the Division of Workers' Compensation in the Department of Industrial Relations (DIR).
- Tax Sharing Ratio Change-The Governor's Budget includes \$13.5 million General Fund and a corresponding decrease of \$13.5 million from various special funds. This adjustment will properly align the EDD's costs for collecting various employment taxes.
- October Revise-The Governor's Budget includes an increase of \$200.6 million (various special funds) in benefit payments and a decrease of \$19.4 million and in state operations for the various employment assistance payments that EDD administers.

Change Table LWD-01

Labor and Workforce Development Agency - Changes by Broad Categories

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2006 Budget Act	\$99,210	\$10,946,016	12,163.0	\$99,210	\$10,946,016	12,163.0
Workload Adjustments						
Automated Collection Enhancement System (ACES)	--	--	--	2,511	249	--
EDD October Revise - Local Assistance	--	481,935	--	--	200,554	--
EDD October Revise - State Operations	--	-5,536	-179.8	--	-19,448	-162.2
Electronic Adjudication Management System (EAMS)	--	-6,679	--	--	19,077	--
Tax Sharing Ratio Change	--	--	--	13,500	-13,500	--
Employee Compensation/Retirement	5,305	25,192	--	5,060	22,995	--
Expiring Programs or Positions	--	--	--	--	-2,152	-35.2
One-Time Cost Reductions	--	--	--	-2,728	-15,000	--
Full-Year Cost of New Programs	--	--	--	--	244	--
Other Workload Adjustments	2	-41,893	-220.3	156	-38,708	-157.8
Totals, Workload Adjustments	\$5,307	\$453,019	-400.1	\$18,499	\$154,311	-355.2
Policy Adjustments						
Remove Contingent Fund from the Job Services Program	--	--	--	--	-27,060	-271.0
Other Policy Adjustments	--	--	--	--	1,852	15.2
Totals, Policy Adjustments	\$0	\$0	--	\$0	-\$25,208	-255.8
Total Adjustments	\$5,307	\$453,019	-400.1	\$18,499	\$129,103	-611.0
Governor's Budget	\$104,517	\$11,399,035	11,762.9	\$117,709	\$11,075,119	11,552.0

* Dollars in Thousands

The major policy adjustments included in the Budget are discussed in Program Enhancements and Other Budget Adjustments.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The 2007-08 Governor's Budget proposes significant changes for the departments within the LWDA. Notable funding changes included in the Governor's Budget for these departments are further described below.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The EDD promotes California's economic growth by providing services to keep employers, employees, and job seekers competitive. The EDD connects employers with job seekers, administers the Unemployment Insurance, Disability Insurance, and Paid Family Leave programs, and provides employment and training programs under the federal Workforce Investment Act of 1998. The EDD collects various employment payroll taxes including the Personal Income Tax, and collects and provides comprehensive economic, occupational, and socio-demographic labor market information concerning California's workforce. The Governor's Budget includes \$10.8 billion (\$44.4 million General Fund), a decrease of \$332 million (\$13.4 million General Fund increase) from the revised 2006-07 budget.

TAX SHARING RATIO CHANGE

The Governor's Budget includes \$13.5 million General Fund and a corresponding decrease of \$13.5 million (\$2.4 million from the Employment Training Fund and \$11.1 million from the Unemployment Compensation Disability Fund) to properly align EDD's costs for the collection of various employment taxes with each fund paying its "fair share" of the shared tax function. The EDD is responsible for collecting Unemployment Insurance, Disability Insurance, General Fund (through the Personal Income Tax), and the Employment Training Tax.

OCTOBER REVISE

The Governor's Budget includes an increase of \$200.6 million (various special funds) in benefit payments and a decrease of \$19.4 million (various special funds) and 162.2 positions to reflect anticipated workload for various employment assistance payment programs that EDD administers. These numbers reflect the net total local assistance dollars that are identified in the 2006 October Revise, which are Unemployment Insurance, Disability Insurance, School Employees Fund programs, and the available Workforce Investment Act funds. Including the School Employees Fund benefits and excluding the WIA distribution to local agencies, the total benefit amount is \$206.9 million.

AUTOMATED COLLECTION ENHANCEMENT SYSTEM (ACES)

The Governor's Budget provides \$2.8 million (\$2.5 million General Fund) to continue the ACES, which will enhance the department's ability to collect state payroll taxes, including the personal income tax, by modernizing and automating its revenue collection process.

CONTINGENT FUND TRANSFER TO THE GENERAL FUND

The Governor's Budget eliminates \$27.1 million Contingent Fund in the EDD Job Services Program, and makes a corresponding transfer of these funds to the General Fund. There is \$153 million federal funds remaining in the program to support a variety of services designed to facilitate a match between employers and job seekers, and for a variety of case-managed programs that provide specialized services to job seekers needing extra assistance, such as welfare recipients, parolees, veterans, youth, disabled, and long-term unemployed individuals. This funding will provide services to more than one million job seekers and 53,000 employers in 2007-08. Additional services similar to those provided through the EDD's Job Services Program are provided to certain specific client groups through the state's CalWORKS Program.

DEPARTMENT OF INDUSTRIAL RELATIONS

The DIR seeks to foster, promote, and develop the welfare of the wage earners of California, to improve their working conditions, and to advance their opportunities for profitable employment. The Governor's Budget includes \$384.5 million (\$68.2 million General Fund), an increase of \$21.8 million (\$211,000 General Fund decrease) above the revised 2006-07 budget.

ELECTRONIC ADJUDICATION MANAGEMENT SYSTEM

The Governor's Budget provides \$19.1 million (Workers' Compensation Administration Revolving Fund), which includes a reappropriation of \$6.7 million from 2006-07, to support the revised project costs as reflected in the Electronic Adjudication Management System Special Project Report. These funds are necessary to continue implementation of the new case management and automated calendaring system for the Division of Workers' Compensation. The new system will improve the operation and management of Division programs that protect California's workforce by improving program access, streamlining existing processes, and reducing costs resulting from delays in the current process.

ELEVATOR PLAN CHECKING UNIT

The Governor's Budget includes \$1.9 million (Elevator Safety Account) and 15.2 positions to approve permits for elevator plans prior to construction, as required by the law. The elevator

LABOR AND WORKFORCE DEVELOPMENT

plan review process will ensure the safety of the general public and employees who use the elevators as well as the workers responsible for servicing the elevators. The review of plans prior to building construction will contribute to a more effective approval process for elevator operation permits.